

## Message Text

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PAGE 01 FREETO 03684 141657Z

ACTION AF-10

INFO OCT-01 EUR-12 ISO-00 EB-08 TRSE-00 OMB-01 AID-05

FRB-03 SS-15 COME-00 CEA-01 XMB-02 CIAE-00 INR-07

NSAE-00 NSC-05 SP-02 /072 W

-----120795 142229Z /66

R 141555Z NOV 77

FM AMEMBASSY FREETOWN

TO SECSTATE WASHDC 6507

INFO AMEMBASSY CONAKRY

AMEMBASSY MONROVIA

AMEMBASSY THE HAGUE

LIMITED OFFICIAL USE FREETOWN 3684

EO 11652: NA

TAGS: EARL, ECRE, EINV, PINT, SL

SUBJ: MISREPRESENTATION OF FINANCIAL SITUATION BY GOSL

REF: FREETOWN 3541

SUMMARY: GOSL FAILED TO INFORM WORLD BANK AND PARIS CLUB OFFICIALS OF A 10.9 MILLION DOLLAR SUPPLIER'S CREDIT. TOTAL OBLIGATIONS OF APPROXIMATELY 17 MILLION DOLLARS HAVE DILUTED IMF ATTEMPTS TO LIMIT EXPENDITURES. HOWEVER, PRESIDENT STEVENS CONSIDERS THESE LOANS POLITICALLY EXPEDIENT. END SUMMARY.

1. THE GOSL MISREPRESENTED ITS FINANCIAL SITUATION TO PARIS CLUB AND WORLD BANK OFFICIALS BY FAILING TO INFORM THEM OF A SHORT TERM OBLIGATION FOR OVER DOLS10 MILLION CONTRACTED FOR THE CONSTRUCTION OF A NEW JETTY. (REFTEL) PARIS CLUB OFFICIALS WERE NOT AWARE OF THIS NEW CREDIT WHEN THEY GRANTED SIERRA LEONE RELATIVELY FAVORABLE DEBT RESCHEDULING TERMS, I.E., 80 PERCENT OF DEBT TO BE REPAYED AFTER 1980. IN ADDITION THE WORLD BANK WAS UNAWARE OF THE GOVERNMENT'S INTENTIONS WHEN THEY APPROVED THE DOLS8.2 MILLION KING TOM  
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POWER PROJECT.

2. THIS BORROWING OF DOLS10.9 MILLION COMBINED WITH TWO ADDITIONAL LOANS FOR THE PURCHASE OF A PRINTING PRESS AND

REPAIRS OF THE AIRPORT-FREETOWN FERRY TERMINAL, AMOUNT TO

ABOUT DOLS17 MILLION. THE APPROXIMATE DOLS1.5 MILLION FOR THE FERRY TERMINAL AND THE APPROXIMATE DOLS4.5 MILLION FOR THE FERRY REPAIRS DO NOT CONTRAVENE THE IMF BAN ON NEW LOANS WITH AN ORIGINAL MATURITY OF MORE THAN ONE AND UP TO FIVE YEARS. HOWEVER, THEY DO NEGATE THE GOVERNMENT IMF LETTER OF AGREEMENT TO ELIMINATE EXTRA BUDGETARY EXPENDITURES AND ENFORCE STRINGENT ECONOMIES. THE FOUR YEAR, 50 PERCENT REPAYABLE IN THE FIRST YEAR, JETTY LOAN DOES VIOLATE THE IMF STAND-BY BAN ON SHORT TERM CREDIT.

3. PRESIDENT STEVENS, IN AN INTERVIEW WITH IMF OFFICIALS, ACCEPTED FULL RESPONSIBILITY FOR THE JETTY LOAN, INSISTING THAT IT WAS POLITICALLY NECESSARY. POLITICAL EXPEDIENCE. HOWEVER, DOES NOT ACCOUNT FOR THE REPUTEDLY EXCESSIVE COST OF THE PROJECT NOR THE UNFAVORABLE CREDIT TERMS. PRESIDENT STEVENS DID STATE THAT THE GOVERNMENT WOULD BE WILLING TO REFINANCE THE LOAN.

4. THE IMF TEAM LEADER, MR. K. KOITANG, A SELF-DECLARED PAN-AFRICANIST, WAS SYMPATHETIC TO PRESIDENT STEVENS' POSITION. HE INDICATED THAT MINISTRY OF FINANCE AND BANK OF SIERRA LEONE OFFICIALS HAD MADE EVERY EFFORT TO ABIDE BY THE TERMS OF THE STAND-BY, PARTICULARLY EFFORTS TO CONTROL OR REDUCE CURRENT SPENDING LEVELS. HOWEVER, POLITICAL FACTORS WERE RESPONSIBLE FOR THE CONTRAVENTION OF IMF EXPENDITURE AND CREDIT RESTRICTED OFFICIAL USE

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TIONS.

5. FOR SECSTATE: MISSION WOULD APPRECIATE LEARNING OF IMF/ WASHINGTON'S VIEWS---PARTICULARLY THOSE OF MR. KEYES. LINEHAN

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NNN

## Message Attributes

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**Review Markings:**  
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